

Long-Range Property Management Plan – Part I

(Approved by DOF on February 20, 2013)



EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

February 20, 2013

Ms. Ruth Davidson-Guerra, Assistant Community Development Director
City of Burbank
150 North Third Street
Burbank, CA 91502

Dear Ms. Davidson-Guerra:

Subject: Approval of Oversight Board Actions

The City of Burbank Successor Agency (Agency) notified the California Department of Finance (Finance) of its February 4, 2013 Oversight Board (OB) resolution no. 8 and no. 9 on February 6, 2013. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of your OB resolutions, which may have included obtaining clarification for various items.

Based on our review and application of the law, OB resolutions no. 8 approving Part 1 of the long range property management plan (Plan) and no. 9 approving the Purchase and Sale Agreement for property located at 600 North San Fernando Boulevard is approved. It is our understanding the purchase price of \$1.3 million is consistent with recent appraisals and the resulting sale proceeds will be distributed to the taxing entities pursuant to HSC section 34191.5 (c) (2) (B). It is also our understanding resolutions 8 and 9 involving the disposition of this property is conditioned upon the Agency receiving a Finding of Completion from Finance.

This is our determination with respect to the OB actions taken. Please direct inquiries to Kylie Le, Supervisor, or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Maribel Leyland, Housing Authority Manager, City of Burbank
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office

RESOLUTION NO. 8

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF BURBANK APPROVING PART 1 OF THE LONG RANGE PROPERTY MANAGEMENT PLAN THAT ADDRESSES THE DISPOSITION AND USE OF THE PROPERTY LOCATED AT 600 NORTH SAN FERNANDO SUBJECT TO ISSUANCE BY DEPARTMENT OF FINANCE FINDING OF COMPLETION.

THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF BURBANK FINDS:

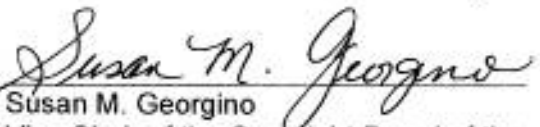
- A. The Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Burbank ("Oversight Board") has been established to direct the Successor Agency to the Redevelopment Agency of the City of Burbank ("Successor Agency") to take certain actions to wind down the affairs of the former Redevelopment Agency of the City of Burbank ("Agency") in accordance with the requirements of Assembly Bill 26 ("ABX1 26"), also known as Chapter 5, Statutes 2011, First Extraordinary Session, which added Part 1.8 and Part 1.85 of Division 24 of the California Health and Safety Code, and Assembly Bill 1484, also known as Chapter 26, Statutes of 2012, which made certain revisions to the statutes added by ABX1 26.
- B. Pursuant to AB 1484, after successful completion of certain payment audit and asset transfer processes required under AB 1484 and issuance of a "Finding of Completion" ("FOC") from the Department of Finance ("DOF"), successor agencies may dispose of real estate assets of the former redevelopment agency consistent with a property management plan ("Plan").
- C. On January 9, 2013, representatives of the Successor Agency and City met with DOF representatives to obtain approval to submit the Plan in two parts. One part would be the Plan for the disposition of 600 North San Fernando Blvd, Burbank, CA ("Plan-Part 1"); and the other part would be for the disposition of any remaining real property assets. Disposition of 600 North San Fernando is a crucial economic fair market value transaction which has been negotiated. However, no property transfer would occur until the Oversight Board approves the Purchase and Sales Agreement, and until DOF issues the FOC.

THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF BURBANK RESOLVES:

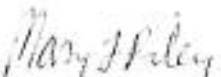
1. The above Recitals are true and correct.

2. The Oversight Board hereby approves the Long-Range Property Management Plan- Part 1 as attached hereto as Exhibit A, which only involves the plan of disposition for 600 N. San Fernando Blvd., Burbank, CA. The Assistant Community Development Director/Successor Agency Implementing Official is authorized to submit the Plan-Part 1 to DOF on behalf of the Successor Agency.

PASSED and ADOPTED this 4th day of February, 2013.


Susan M. Georgino
Vice Chair of the Oversight Board of the
Successor Agency to the Redevelopment
Agency of the City of Burbank

Approved as to Form
Office of the City Attorney

By: 
Mary F. Riley, Sr. Asst. City Attorney

THE FOREGOING RESOLUTION IS APPROVED AND ADOPTED BY THE
OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT
AGENCY OF THE CITY OF BURBANK THIS 4TH DAY OF FEBRUARY, 2013, BY
THE FOLLOWING ROLL CALL VOTE:

AYES: Board Members Bonis, Dixon, Georgino, and Young.

NOES: Board Member Swartz

ABSENT: Board Members Carleo and Statton.

ABSTAIN: None



Secretary of Successor Agency to the
Redevelopment Agency of the City of Burbank

EXHIBIT "A"

LONG RANGE PROPERTY MANAGEMENT PLAN - PART 1

Long-Range Property Management Plan – Part 1

600 N. San Fernando Boulevard



Acquisition & Valuation

Date of Acquisition ¹ :	Unknown
Value of Property at time of Acquisition ² :	Unknown
Estimate of Current Value of Property ³ :	\$1,300,000
Reason for Original Acquisition:	Development of Regional Shopping Mall
Lot Size (SF):	277,913

Land Use

Zoning:	Planned Development No. 89-4
General Plan Designation:	Shopping Center
Specific Plan:	Burbank Center Plan

Lease Information

The site currently generates \$0 in rent⁴, per the terms of the ground lease, which is also subject to a Construction, Operation and Reciprocal Easement Agreement by and among the ground lessee of the Burbank Town Center and several major retail tenants.

¹ The exact date of the original acquisition of the site is unknown at this time. Based on historical uses provided in a Summary Report dated July 17, 1990, it is assumed that the acquisition occurred in 1986. Staff is working with the school district (previous owner) and its title company to obtain the Grant Deed to confirm the exact date. When the date is identified, an addendum to this plan will be issued.

² The site is the present location of IKEA, which was part of a larger 41-acre land acquisition for the development of the Burbank Town Center, the regional shopping mall. Total assembly costs, inclusive of the IKEA property and the Burbank Town Center property, were \$51,948,000.

³ The estimate of the current property value is based on two appraisals that were prepared to establish the fair market value range. Both appraisals gave specific consideration to the fact that IKEA has 72 years remaining on the ground lease for this site that requires no rental payments. The remaining term of the ground lease and the negligible revenue generated significantly reduces the value of the Property compared to similar properties that are unencumbered or to similar properties encumbered with long-term (with fair market rental revenue) leases. Both appraisals contemplated the current value, the estimated future value, and escalation and discount rates, all based on the terms of the existing encumbrance of the ground lease. Additionally, both appraisals used similar escalation and discount rates. It is for these reasons that the estimated current fair market value is \$1.300 million, within the range of fair market value (\$1.100 to \$1.462 million as established by two independent appraisals). Exhibit A highlights the results of the first appraisal and establishes a fair market value of \$1.100 million. Exhibit B is a letter from the City's appraiser, highlighting the fair market value conclusion of \$1.462 million.

Long-Range Property Management Plan – Part 1

600 N. San Fernando Boulevard

Environmental History

A Site Summary Report dated July 17, 1990 identified the existence of one 1,000-gallon underground storage tank and three cesspools. The three cesspools had non-detectable contamination levels. Soil testing of the area around the storage tank identified elevated levels of Total Recoverable Hydrocarbons (TRH). During the tank removal process, 17 cubic feet of soil were removed and disposed of offsite. An Underground Tank Closure Report for this tank was prepared on December 6, 1989. Subsequent soil sampling showed non-detectable levels of contamination present at the site.

Transit-Oriented Development Potential & Advancement of Planning Objectives

The current use of the site is consistent with the land use designation and goals, objectives and policies of the Burbank Center Plan, the specific plan for the Downtown area of the City. These include: cohesive design to improve the appearance of arterial streets; enhanced streetscape plan for the Burbank Center Plan area; retaining regional draw through the provision of diverse shopping and entertainment activities; maintaining a pedestrian friendly environment, and maintaining employment opportunities. The use of the property is also consistent with the development standards that were approved under Planned Development No. 89-4⁵ (which among other things provides common parking for the IKEA site with the adjacent Burbank Town Center site) and with the General Plan designation for the area.

History of Development Activity

The site was undeveloped prior to 1908 and served as the location of a high school and intermediate school between the years 1908 and 1986. Between 1986 and 1990, the site was vacant and/or under construction. On November 15, 1989, the former redevelopment agency entered into a Disposition and Development Agreement (DDA) with the then developer of the adjacent indoor shopping mall, Haagen-Burbank Partnership, whereby the developer agreed to develop a shopping mall, and related adjacent developments. As part of that DDA, the former redevelopment agency agreed to enter into the previously mentioned ground lease with IKEA.

Proposed Disposition

The proposed disposition of the site is pursuant to a negotiated sale to a private party at an amount equal to the fair market value determined by two independent appraisals.

⁴ Pursuant to the terms of the IKEA ground lease, if IKEA met certain sales tax thresholds, then it was not obligated to pay rent in any given year. IKEA has always met those thresholds. Furthermore and pursuant to the ground lease, IKEA does not have to pay any rent now or for the next 72 years. Lessee is responsible for property taxes and utilities.

⁵ In the City of Burbank, Planned Developments are similar to specific plans in that they allow for specific uses and development standards in that zone. This Planned Development Zone originally authorized the development of a mixed-use regional shopping center, commercial office, and hotel development.

Long-Range Property Management Plan – Part 1

600 N. San Fernando Boulevard

Exhibits

A – Excerpt from Appraisal Document

B – Letter from City's Appraiser (Regarding Second Appraisal)

EXHIBIT A

Excerpt from Appraisal Document (Buyer)

600 North San Fernando Boulevard

CONCLUSION

The market value of the leased fee interest is all in the reversionary value. We calculated the reversionary value by inflating the current land value (\$38 PSF) over the term of the lease, and discounted it by 6.25%. After discounting, the present value of the reversionary value is estimated at \$1,100,000.

MARKET VALUE CONCLUSION	
Discount Rate Assumption	6.25%
Concluded Land Value PSF	\$38.00
Land Area	<u>277,978</u>
PV Land Value	\$10,563,164
Growth (1.03% ^ 73 Yrs)	<u>8.65</u>
Reversion Value - YR 2084	\$91,392,683
Less: Cost of Sale (2%)	<u>\$1,827,854</u>
Net Reversion Value - YR 2084	\$89,564,829
Discounted Reversion Value	\$1,071,828
Rounded	<u>\$1,100,000</u>

EXHIBIT B

Letter from City's Appraiser

600 North San Fernando Boulevard



October 30, 2012

****VIA E-MAIL ONLY****

Ruth Davidson-Guerra
Assistant Community Development Director
City of Burbank
150 N. Third Street, 2nd Floor
Burbank, CA 91502
rdavidson@ci.burank.ca.us

Re: The Appraised Value of the City of Burbank's Leased Fee Interest in the Town Center Mall Site as of April 12, 2011

Dear Ms. Davidson-Guerra:

In our telephone discussion on October 30, 2012 we discussed an appropriate way to estimate the value of that portion of the Town Center site occupied by IKEA, based on our 2011 opinion of value. The IKEA improvements are situated on parcel 2460-023-044 which has an area of 277,913 square feet which represents approximately 17.2% of the Town Center site. In our appraisal, we stated that the value of the City's interest in the Town Center site was \$8,500,000.

Therefore, as an approximate indicator of value it would be appropriate to apply IKEA's percentage to the total value of the site as follows:

$17.2\% \times \$8,500,000 = \$1,462,000$ as of April 12, 2011

Sincerely yours,

A handwritten signature in black ink, appearing to be 'J. Griffey', written over a white background.

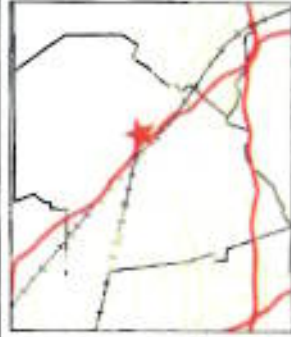
John J. Griffey
President

JG:SA

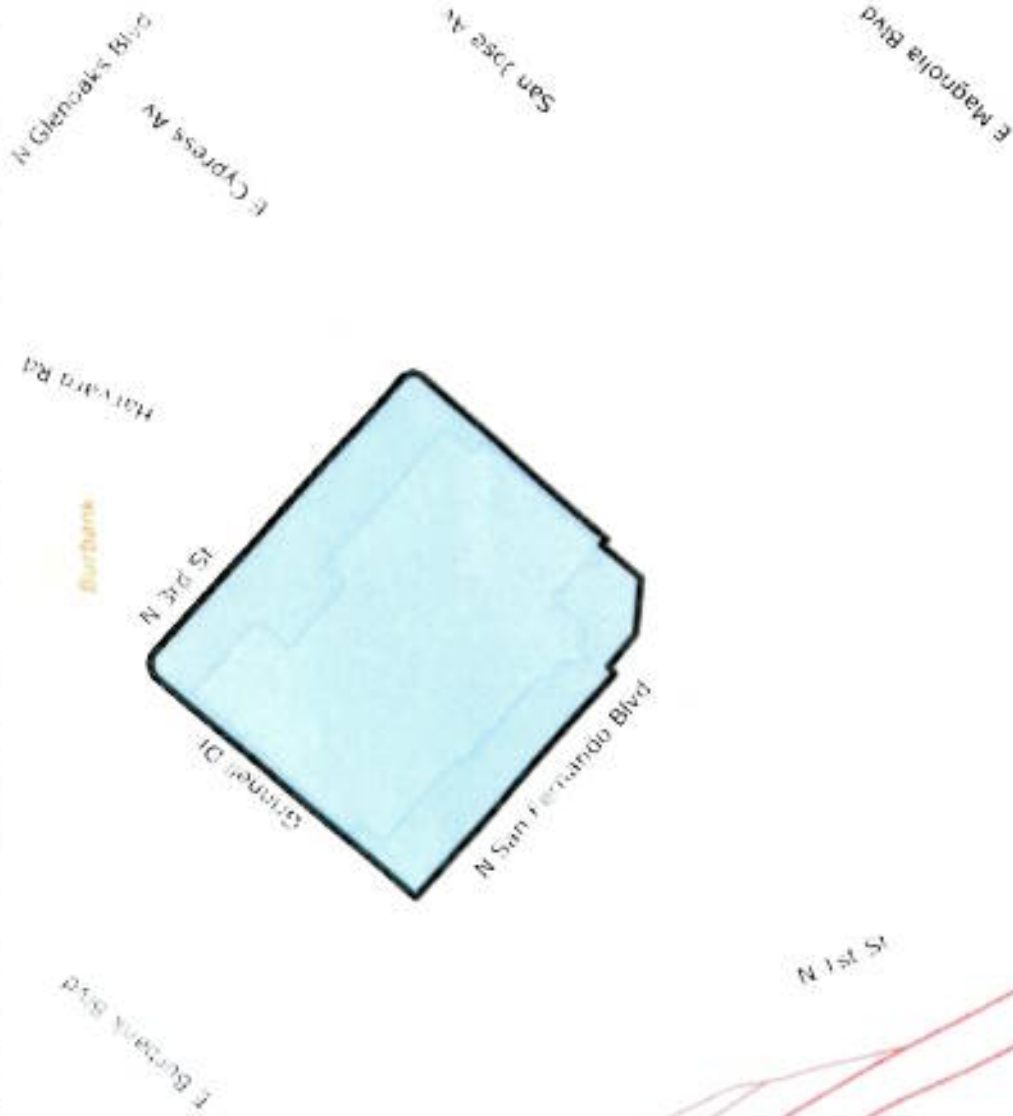




Exhibit B - Property Map



- Legend**
- Freeways
 - Railroads
 - Streets
 - Buildings
 - Golf Courses
 - Studios
 - Parks
 - Airport
 - Airport Boundary
 - Schools



Scale: 1:2,994



This map is intended for general reference only. Data layers that appear on this map may or may not be accurate, current, or otherwise reliable.